



Amy G. Rabinowitz  
*Counsel*

January 24, 2005

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

**Re: D.T.E. 04-119**

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company, Nantucket Electric Company, New England Power Company, and New England Hydro-Transmission Electric Company, Inc., I am enclosing responses to Department Information Requests DTE 1-1, 1-2, 1-3, 1-5, 1-8, 1-10, 1-12, 1-13, and 1-15. We are finalizing the remaining responses, and will file them shortly.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Joseph W. Rogers, Office of the Attorney General

Massachusetts Electric Company  
Nantucket Electric Company  
New England Hydro-Transmission Electric Company, Inc.  
New England Power Company  
Responses to the Department's First Set of Information Requests  
D.T.E. 04-119

DTE-1-1

Request: Refer to Exh. MEC-1, at 4. Please describe in detail the settlement procedures employed by the Money Pool, including how surplus cash is transferred to the Money Pool by participants and the interfaces that exist with correspondent financial institutions.

Response: Money Pool settlement transfers are done daily as electronic funds transfers. Settlements for Niagara Mohawk Power Corp. are done via Fed Wire between the Money Pool account at Bank of America (formerly Fleet) and HSBC Bank. Settlements for the New England companies are done as same-day ACH payments within Bank of America (Fleet).

Response submitted by or under the supervision of: Robert G. Seega

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DTE-1-2

Request: Refer to Exh. MEC-1, at 7. Provide the anticipated date of filing for the 2004 report regarding the operation of the National Grid USA Money Pool.

Response: We expect to file the National Grid USA Money Pool Report for the year ending December 31, 2004 during the month of March 2005.

Response submitted by or under the supervision of: Robert G. Seega

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DTE-1-3

Request: Refer to Attachments A through D of the 2003 annual report regarding the operation of the National Grid USA Money Pool. Please provide, to the extent available, the information contained therein for the year 2004 for New England Power Company, Massachusetts Electric Company, New England Hydro-Transmission Company, and Nantucket Electric Company. As part of this response, explain whether the monthly borrowing rates for 2004 were based on the borrower's own commercial paper rates or the commercial paper rates published in the Wall Street Journal.

Response: Please see Attachments A through D for the year 2004. None of the above-referenced companies issued any commercial paper in 2004. All of the Money Pool borrowing rates were based on the commercial paper rates published in the Wall Street Journal.

Response submitted by or under the supervision of: Robert G. Seega

NATIONAL GRID USA MONEY POOL 2004  
NEW ENGLAND POWER COMPANY

Attachment A to DTE 1-3

	<u>Investment (000's)</u>			<u>Investment Rate</u>	<u>Investment Earnings</u>	<u>Borrowing (000's)</u>			<u>Borrowing Rate</u>	<u>Borrowing Cost</u>
	<u>High</u>	<u>Low</u>	<u>Average</u>			<u>High</u>	<u>Low</u>	<u>Average</u>		
JANUARY	\$328,800	\$301,025	\$315,063	1.038%	\$276,971					
FEBRUARY	348,150	316,425	327,834	1.007%	261,604					
MARCH	350,250	227,150	302,260	1.017%	260,449					
APRIL	238,875	220,525	227,820	1.030%	192,249					
MAY	238,875	221,725	231,469	1.060%	207,748					
JUNE	253,150	228,475	238,473	1.194%	233,307					
JULY	265,250	242,425	251,839	1.357%	289,536					
AUGUST	289,925	254,250	279,562	1.550%	366,947					
SEPTEMBER	296,050	279,850	286,878	1.731%	407,077					
OCTOBER	295,300	273,675	280,616	1.861%	442,265					
NOVEMBER	306,575	280,950	290,668	2.098%	499,951					
DECEMBER	317,375	290,450	302,104	2.354%	602,265					
Overall: *	<u>\$350,250</u>	<u>\$220,525</u>	<u>\$277,794</u>	<u>1.454%</u>	<u>\$4,040,370</u>	<u>None</u>				

\* Overall: (Average \$ and Rate calculated on 366 day year basis )

NATIONAL GRID USA MONEY POOL 2004  
MASSACHUSETTS ELECTRIC COMPANY

Attachment B to DTE 1-3

	<u>Investment (000's)</u>			<u>Investment Rate</u>	<u>Investment Earnings</u>	<u>Borrowing (000's)</u>			<u>Borrowing Rate</u>	<u>Borrowing Cost</u>
	<u>High</u>	<u>Low</u>	<u>Average</u>			<u>High</u>	<u>Low</u>	<u>Average</u>		
JANUARY						\$247,675	\$212,450	\$231,540	1.037%	\$203,369
FEBRUARY						\$240,150	\$193,725	\$216,567	1.007%	\$172,712
MARCH						233,150	190,075	207,665	1.017%	178,823
APRIL						245,000	206,100	225,328	1.027%	189,651
MAY						249,100	204,250	225,445	1.057%	201,899
JUNE						238,450	215,950	223,093	1.190%	217,516
JULY						257,600	202,700	231,713	1.352%	265,376
AUGUST						250,800	203,350	229,719	1.545%	300,676
SEPTEMBER						262,300	194,000	223,128	1.728%	316,098
OCTOBER						252,250	193,675	222,988	1.860%	351,392
NOVEMBER						241,675	184,400	212,054	2.094%	364,026
DECEMBER						248,525	198,750	225,044	2.349%	447,649
Overall: *			<u>None</u>			<u>\$262,300</u>	<u>\$184,400</u>	<u>\$222,913</u>	<u>1.440%</u>	<u>\$3,209,188</u>

\* Overall: (Average \$ and Rate calculated on 366 day year basis )

NATIONAL GRID USA MONEY POOL 2004  
NEW ENGLAND HYDRO TRANSMISSION ELECTRIC CO., INC

Attachment C to DTE 1-3

	<u>Investment (000's)</u>			<u>Investment Rate</u>	<u>Investment Earnings</u>	<u>Borrowing (000's)</u>			<u>Borrowing Rate</u>	<u>Borrowing Cost</u>
	<u>High</u>	<u>Low</u>	<u>Average</u>			<u>High</u>	<u>Low</u>	<u>Average</u>		
JANUARY						\$2,225	\$100	\$1,066	1.118%	\$1,010
FEBRUARY	675	0	363	1.007%	290	400	0	143	1.088%	123
MARCH	1,300	0	597	1.017%	514	175	0	19	1.098%	17
APRIL						2,625	700	1,558	1.108%	1,415
MAY	25	0	10	1.060%	9	1,700	0	782	1.139%	754
JUNE	850	0	141	1.194%	138	350	0	34	1.281%	36
JULY	525	0	43	1.358%	49	1,025	0	489	1.464%	606
AUGUST	1,550	0	519	1.550%	682	100	0	39	1.667%	55
SEPTEMBER	2,175	0	769	1.731%	1,091	300	0	21	1.870%	32
OCTOBER						1,675	600	1,210	2.013%	2,063
NOVEMBER	800	0	38	2.098%	66	1,175	0	627	2.257%	1,159
DECEMBER	1,450	0	192	2.354%	383	1,350	0	294	2.532%	631
Overall: *	<u>\$2,175</u>	<u>\$0</u>	<u>\$222</u>	<u>1.453%</u>	<u>\$3,222</u>	<u>\$2,625</u>	<u>\$0</u>	<u>\$525</u>	<u>1.505%</u>	<u>\$7,902</u>

\* Overall: (Average \$ and Rate calculated on 366 day year basis )

NATIONAL GRID USA MONEY POOL 2004  
NANTUCKET ELECTRIC COMPANY

Attachment D to DTE 1-3

	<u>Investment (000's)</u>			<u>Investment</u> <u>Rate</u>	<u>Investment</u> <u>Earnings</u>	<u>Borrowing (000's)</u>			<u>Borrowing</u> <u>Rate</u>	<u>Borrowing</u> <u>Cost</u>
	<u>High</u>	<u>Low</u>	<u>Average</u>			<u>High</u>	<u>Low</u>	<u>Average</u>		
JANUARY			\$0			\$3,975	\$1,450	\$3,124	1.118%	\$2,959
FEBRUARY			0			1,675	1,150	1,399	1.088%	1,206
MARCH			0			2,550	1,475	1,979	1.098%	1,841
APRIL			0			2,800	2,425	2,600	1.108%	2,362
MAY			0			2,650	1,950	2,311	1.139%	2,229
JUNE			0			2,625	1,950	2,405	1.281%	2,525
JULY			0			4,300	3,600	3,935	1.464%	4,880
AUGUST	12,050	0	11,315	1.550%	14,852	3,625	0	117	1.667%	165
SEPTEMBER	11,975	2,550	11,215	1.731%	15,914					
OCTOBER	3,000	2,225	2,719	1.861%	4,285					
NOVEMBER	3,225	2,500	2,825	2.098%	4,859					
DECEMBER	6,750	2,150	4,440	2.354%	8,850					
Overall: *	<u>\$12,050</u>	<u>\$0</u>	<u>\$2,716</u>	<u>1.796%</u>	<u>\$48,760</u>	<u>\$4,300</u>	<u>\$0</u>	<u>\$1,492</u>	<u>1.217%</u>	<u>\$18,167</u>

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DTE-1-5

Request: Refer to Exh. MEC-1, at 11. Please explain in detail how a commercial paper credit rating is obtained by a company for its commercial paper.

Response: A commercial paper rating is assigned by a rating agency (i.e. Moodys and Standard & Poors) as a part of its comprehensive review of a company's credit quality. It is typically issued along with ratings on the company's other securities. It is not typically issued on a standalone basis.

Response submitted by or under the supervision of: Robert G. Seega

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DTE-1-8

Request: Refer to Exh. MEC-1, at 13. Please explain why GridAmerica Holdings Inc. and GridAmerica LLC will have lender-only participation status.

Response:

GridAmerica Holdings Inc. and GridAmerica LLC are non-utility subsidiaries in the National Grid USA system. In its Order dated September 30, 2004 (HCAR 35-27898) (the "September SEC Order"), the Securities and Exchange Commission permitted such non-utility subsidiaries to participate as lenders only in the Money Pool. As explained more fully in the response to DTE 1-10, eligible money pool borrowers are restricted to public utility subsidiaries in the National Grid USA system and National Grid USA Service Company, Inc.

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DTE-1-10

- Request: Refer to Exh. RGS-3, at 1. Please explain why certain members of the Money Pool participate both as lenders and borrowers while other members participate as lenders only.
- Response: Borrowers from the Money Pool are restricted to the listed public utility subsidiaries and National Grid USA Service Company, Inc. Non-utility subsidiaries may not borrow from the Money Pool, but may only lend funds to the pool. This is in accord with the September SEC Order and reflects the SEC's position that utility funds should not be used to invest in affiliated non-utility businesses. In addition, certain National Grid companies are prohibited by the express provisions of the Public Utility Holding Company Act of 1935 from borrowing funds from subsidiaries (e.g., in the case of a registered holding company such as National Grid USA), or from regulated public utility affiliates (e.g., in the case of an exempt telecommunications company such as NEES Communications, Inc.)

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DTE-1-12

- Request: Refer to Exh. RGS-3, at 2. Please explain why loan requirements of \$1,000,000 or less are proposed to be accorded priority in loan disbursements.
- Response: Increments of a relatively small size such as \$1 million or less are not typical in the bank corporate lending market and, as such, can be burdensome and costly to arrange. The National Grid USA Money Pool is designed to easily respond to requirements of this size.

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DTE-1-13

Request: Refer to Exh. RGS-3, at 3. Is it the Company's position that Department approval is not required for termination of a participant's membership in the Money Pool? Please discuss.

Response: The terms of the Money Pool as previously approved by the Department permit withdrawal by any Member. It is the Company's view that any Member may withdraw in accordance with these approved terms without further action by the Department. M. G. L. Chapter 164, Section 17A requires that the Company obtain Department approval of interaffiliate loans of the type contemplated by the Money Pool. A Member is only permitted to withdraw when all interaffiliate loans or borrowings for that Member have been repaid in full.

Response submitted by or under the supervision of: Legal Department

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DTE-1-15

Request: Refer to Exh. RGS-3, at 4. Please discuss in detail why the Company proposes to include Section 15 (a Money Pool term of 364 days with automatic renewal) to the terms of the Money Pool.

Response: Each loan under the Money Pool represents short term debt (having a term of 364 days or less.) The amendments to the Money Pool document proposed in this proceeding contemplate the addition of signatures by each Money Pool participant and make clearer that this document is an agreement among those participants. By providing a renewable 364 day term to the overall Money Pool document, Section 15 is intended to remove any doubt that the Money Pool arrangement is intended as short term debt facility. The Company would not make a material amendment to the terms of the Money Pool document in any renewal term unless such amendment had been approved by the Department.

Response submitted by or under the supervision of: Robert G. Seega